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Mr. Doherty
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NORLEX MINES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1965

NORLEX MINES LIMITED

OFFICERS	WILLIAM PLEXMAN - - - - -	President and General Manager
	S. A. PERRY - - - - -	Vice-President
	G. D. PATTISON - - - - -	Secretary-Treasurer
	R. D. BELL - - - - -	Assistant Secretary-Treasurer
DIRECTORS	R. D. BELL - - - - -	Toronto, Ontario
	W. E. ESSERY - - - - -	Toronto, Ontario
	G. D. PATTISON - - - - -	Toronto, Ontario
	S. A. PERRY - - - - -	Toronto, Ontario
	WILLIAM PLEXMAN - - - - -	Toronto, Ontario
BANKERS	THE TORONTO-DOMINION BANK - - - - -	Toronto, Ontario
AUDITORS	FISHER, NISKER & COMPANY - - - - -	Toronto, Ontario
TRANSFER AGENT AND REGISTRAR	EASTERN & CHARTERED TRUST COMPANY - - - - -	Toronto, Ontario
HEAD OFFICE	SUITE 509, 25 ADELAIDE STREET WEST - - - - -	Toronto, Ontario

NORLEX MINES LIMITED

Suite 509, 25 Adelaide Street West

Toronto 1, Ontario

Directors' Report

To the Shareholders,
NORLEX MINES LIMITED.

Your Directors present herewith the financial statement of your Company for the year ended December 31, 1965, with Auditors' Report thereon dated March 21, 1966.

During the winter of 1964-65 the Company carried out an intensive exploration program on an optioned group of ten patented claims located in the Township of Eldorado, Porcupine Mining Division, Ontario. A total of thirteen diamond drill holes comprising 6,084 feet of drilling were completed to test certain areas of interest on the property which were outlined by geophysical surveys. Although interesting nickel values were intersected in eight of the holes completed, these intersections were below ore grade and considered uneconomic. The Company therefore allowed its option to purchase this property to terminate.

A joint exploration hole drilled during 1965 on the western boundary of the Company's property in the Township of Macdiarmid, Porcupine Mining Division, Ontario, returned negative results. The Company continues to hold this property in good standing as well as its properties in the Wolseley Lake area of Ontario and the Township of Bousquet, Quebec.

Late in 1965 your Company acquired an option to purchase nine mining claims in the Township of Rathbun about twenty-six air miles northeast of Sudbury, Ontario. Geophysical surveys were performed on this property and five holes totalling 2,043 feet of diamond drilling were completed to investigate three anomalous areas outlined. No results of importance were encountered and accordingly this option will be allowed to lapse on June 2, 1966.

The Company recently staked a group of claims in the Whitefish Bay area of the Lake of the Woods approximately twelve miles south of the Town of Kenora, Ontario. These claims were staked by the Company because of a reported base metal discovery in the area. A program of work will be proposed for this property after the Company's technical consultants have assessed the importance of the reported discovery.

Several other mining prospects were examined during the past year by your General Manager. The Company intends to continue this policy and is prepared to implement an exploration program on any property which it considers to be of merit.

Since the end of the year the Company has received \$68,000.00 from the sale of treasury shares. The option referred to in Note 2 in the accompanying financial statement has been extended to July 13, 1966.

Toronto, Ontario,
April 22, 1966.

On behalf of the Board of Directors,
WILLIAM PLEXMAN,
President and General Manager.

NORLEX MINES LIMITED

Balance Sheet as at December 31, 1965

ASSETS

CURRENT ASSETS

Cash	\$ 38,397.48	
Advance to field	1,200.00	\$ 39,597.48

INVESTMENTS

Marketable securities, at written down value (market value \$300.00)		451.00
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FIXED ASSETS

Mining claims, at cost (\$41,000.00 cash and \$167,250.00 attributed to 585,000 shares of capital stock as presently constituted, issued for the claims)	\$208,250.00	
Payment on option to purchase mining claims (Note 1)	5,000.00	213,250.00

DEFERRED EXPENDITURES

Exploration and administrative expenditures, per statement		121,589.64
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Approved on behalf of the Board of Directors:

WILLIAM PLEXMAN, (Director)

G. D. PATTISON (Director)

\$374,888.12

The accompanying notes are an integral part of this statement.

AUDITOR'S REPORT

To the Shareholders of

NORLEX MINES LIMITED

We have examined the balance sheet of Norlex Mines Limited as at December 31, 1965 and the statement of financial position for the year ended on that date. Our examination included a general review of the evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of deferred expenditures and income of the company as at December 31, 1965 and its activities for the year ended on that date are consistent with that of the preceding year.

Toronto, Ontario,

March 21, 1966.

IES LIMITED

December 31, 1965

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 3,432.36
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (Notes 1 and 2)

Authorized:

5,000,000 shares, par value \$1.00 each

Issued and fully paid:

2,900,000 shares at December 31,

1964	\$2,900,000.00	
Less — discount	2,162,860.17	\$ 737,139.83

200,000 shares issued in 1965

for cash	\$ 200,000.00	
Less — discount	160,000.00	40,000.00

<u>3,100,000 shares</u>	<u>\$ 777,139.83</u>
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CONTRIBUTED SURPLUS — arising from the reduction of capital
stock on February 27, 1963

1,448,559.32

\$2,225,699.15

DEFICIT, per statement	1,854,243.39	371,455.76
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\$374,888.12

ral part of the financial statements.

REPORT

1, 1965 and the statements of deferred exploration and administrative expenditures and
e accounting procedures and such tests of accounting records and other supporting

oration and administrative expenditures and deficit present fairly the financial position
date, in accordance with generally accepted accounting principles applied on a basis

FISHER, NISKER & COMPANY,

Chartered Accountants.

NORLEX MINES LIMITED

Notes to Financial Statements

December 31, 1965

NOTE 1 — OPTION ON MINING CLAIMS AND OPTION ON CAPITAL STOCK

The company paid \$5,000.00 to Cumming Burton to acquire an option to purchase nine patented mining claims in the Township of Rathbun in the Sudbury Mining Division, Ontario. To exercise the option the company must pay an additional \$95,000.00 and issue 350,000 shares of its capital stock as follows:

\$10,000.00 by June 2, 1966

15,000.00 by December 2, 1966

30,000.00 by June 2, 1967

40,000.00 by December 2, 1967, together with 350,000 shares of the company's capital stock

\$95,000.00

In addition the company granted Cumming Burton an option to purchase all or any part of 200,000 shares of the company's capital stock at 15¢ per share, such shares to be purchasable as follows:

10,000 shares upon the approval of the Toronto Stock Exchange of the agreement (which approval has been received — but this option not yet exercised);

20,000 shares if the option payment of \$10,000.00 to be paid by June 2, 1966, is made by the company;

30,000 shares if the option payment of \$15,000.00 to be paid by December 2, 1966, is made by the company;

60,000 shares if the option payment of \$30,000.00 to be paid by June 2, 1967, is made by the company;

80,000 shares if the option payment of \$40,000.00 to be paid by December 2, 1967, is made by the company.

200,000 shares

NOTE 2 — OPTION ON CAPITAL STOCK

Subsequent to the balance sheet date, the company received \$68,000.00 from the sale of 400,000 shares of its capital stock. In addition there is an option on 200,000 shares of capital stock at 22¢ per share exercisable on or before April 13, 1966.

NORLEX MINES LIMITED

Statement of Deferred Exploration and Administrative Expenditures For the Year Ended December 31, 1965

EXPLORATION

MACDIARMID TOWNSHIP, ONTARIO

Diamond drilling	\$ 1,187.50	
Engineering fees	337.50	
Miscellaneous	66.00	\$ 1,591.00

ELDORADO TOWNSHIP, ONTARIO (abandoned)

Diamond drilling	\$22,700.61	
Engineering and supervision fees and expenses	6,060.92	
Assaying	873.41	
Transportation	257.82	
Miscellaneous	274.15	30,166.91

MAIZERETS TOWNSHIP, P.Q. (abandoned)

Government fees		70.00
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RATHBUN TOWNSHIP, Ontario

Engineer's report	\$ 300.00	
Government fees	54.50	
Transportation	216.37	
Assays	71.50	642.37

OTHER PROPERTIES

Government fees		494.50
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GENERAL MANAGER'S SALARY

\$ 32,964.78
6,000.00

ADMINISTRATIVE, (Schedule "A")

\$ 38,964.78
9,803.89

TOTAL EXPENDITURES FOR THE YEAR

\$ 48,768.67

BALANCE DEFERRED DECEMBER 31, 1964

129,929.38

\$178,698.05

Deduct — expenditures incurred on mining claims abandoned

— written off to deficit:

Eldorado Township, Ontario	\$ 53,656.03	
Maizerets Township, P.Q.	3,452.38	57,108.41

BALANCE DEFERRED DECEMBER 31, 1965

\$121,589.64

Summary of Deferred Expenditures

EXPLORATION:

Macdiarmid Township, Ontario	\$ 31,792.18	
Rathbun Township, Ontario	1,642.37	
Bousquet Township, P.Q.	19,024.42	
Quetico Park Area, Ontario	36,419.57	\$ 88,878.54

ADMINISTRATIVE

32,711.10

\$121,589.64

NORLEX MINES LIMITED

Statement of Deficit

For the Year Ended December 31, 1965

BALANCE DECEMBER 31, 1964		\$1,785,860.46
ADDITIONS DURING 1965		
Cost of mining claims abandoned	\$ 774.52	
Option payments on mining claims — option not exercised	10,000.00	
Exploration expenditures incurred on the optioned claims	50,208.41	
Administrative expenditures apportioned to the optioned claims	6,900.00	
Investigation of property prospects — no claims acquired	500.00	68,382.93
BALANCE DECEMBER 31, 1965		<u>\$1,854,243.39</u>

SCHEDULE "A"

Statement of Deferred Administrative Expenditures

For the Year Ended December 31, 1965

Head office services, rent, accounting and secretarial services	\$ 3,775.00
Legal and audit fees	2,309.65
Stock transfer expenses	1,440.28
Shareholders' information, publicity and annual report	1,227.70
Stock exchange fees and expenses	385.75
Government fees	100.00
Travel and accommodation	639.78
Directors' fees	850.00
Miscellaneous	128.73
	<u>\$10,856.89</u>
Less — interest earned	1,053.00
	<u>\$ 9,803.89</u>